



No. 87-499

IN THE
Supreme Court of the United States
October Term, 1987

CHARLES R. CHRISTIANSON AND
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

VS.

COLT INDUSTRIES OPERATING CORP.,
Respondent.

**On Writ of Certiorari To The United States
Court of Appeals For the Federal Circuit**

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

I. SINCE NO PRIVATE RIGHT OF ACTION EXISTS UNDER § 112, THE FEDERAL CIRCUIT HAD NO JURISDICTION OF THIS APPEAL.

"Congress has not intended a federal claim for § 112 violations."¹ This is dispositive because *Merrell Dow Pharmaceuticals v. Thompson*, 478 U.S. 804, 92 L.Ed.2d 650 (1986), found that where there is "no federal private cause of action" when a "violation of the federal statute" occurs, federal courts may not exercise § 1331 "arising under" jurisdiction. 92 L.Ed.2d at 661 & 662. Therefore because "no federal private cause of action" for a § 112 violation exists, there can be no "arising under" patent jurisdiction pursuant to § 1338.

Colt attempts to avoid the conclusion of no § 1338 jurisdiction under *Merrell Dow* by arguing (pp. 28-29, n. 29) that Judge Morgan implied a private right of action under § 112 even though such claim is "not a legitimate legal theory." According to Colt (p. 29, n. 29), this error by Judge Morgan "is nonetheless determinative of jurisdiction in this case." Colt cites no authority for this argument and nothing in *Merrell Dow* remotely hints that if a lower court erroneously implies a private right of action under a federal law, contrary to congressional intent, jurisdiction would then exist. Whether or not jurisdiction exists pursuant to *Merrell Dow* depends upon a correct determination of whether there is a private right of action, not upon an incorrect one.

Colt further stated (pp. 28-29; also see p. 21) that "[f]or jurisdictional purposes," the district court's supposed implied

¹ Admitted in Colt's Brief, pp. 28-29, n. 29, quoting and agreeing with a statement from Christianson's Brief, p. 41. Unless otherwise indicated, all page references to Colt statements are to Respondent's Brief on the Merits, typically referred to as "Colt's Brief," and all page references to Christianson statements are to Petitioners' Brief on the Merits, typically referred to as "Christianson's Brief."

cause of action under § 112 “falls within the primary ‘arising under’ category of cases described by the Holmes creation test.” But in the very case that Holmes announced the “creation” test, the district judge had erroneously held that there was federal question jurisdiction under the patent laws. *American Well Works, Co. v. Layne & Bowler Co.*, 242 U.S. 257, 258 (1916). Yet because the district judge was wrong, as decided by Holmes, there was no federal jurisdiction. 242 U.S. at 260.

Accordingly, pursuant to both *American Well Works* and *Merrell Dow*, where the matter at issue is whether a particular federal law “creates” a cause of action, district court jurisdiction does not exist if the ultimate appellate ruling is that no cause of action is created by federal law. Since no private right of action exists under § 112 and Colt has offered no theory other than a claimed § 112 violation as the basis for § 1338 district court jurisdiction, the Federal Circuit therefore has no jurisdiction of this appeal pursuant to § 1295(a)(1).²

II. COLT HAS, IN ACTUALITY, ARGUED FOR ISSUE, NOT CASE JURISDICTION; THE ACCEPTANCE OF THIS ARGUMENT WOULD MEAN THAT STATE COURTS COULD NO LONGER DECIDE STATE LAW CASES INVOLVING PATENT ISSUES AS THEY HAVE DONE FOR OVER A CENTURY.

In its brief (p. 30), Colt asserted that the Federal Circuit has jurisdiction because “congressional intent” requires that jurisdiction be based “on the case that was actually litigated,”³

² In *Merrell Dow*, the determination that no private right of action existed under the federal law involved was supported by the fact that “both parties agree[d]” to that conclusion. 92 L. Ed.2d at 660 & 669, n. 4. Colt’s admission (pp. 28-29, n. 29) that “Congress has not intended a federal claim for § 112 violations” provides a comparable agreement in the present case.

³ Colt posits this conclusion (p. 31) on a need for “uniformity” in patent law. Yet Congress also believed that there was an “imperative of avoiding undue specialization within the Federal judicial system.” 1981 Senate Report, at 6. Moreover, *Cable Electric Products, Inc. v. Genmark, Inc.* 770 F.2d 1015 (Fed Cir. 1985), provides that questions of federal preemption by the patent laws belong in the regional circuits.

regardless of what is pled in the complaint. If Colt is serious in this claim, it is not only arguing that 100 years of “settled law” and “history,” as explained in *Franchise Tax Bd. v. Laborers Vac. Trust*, 463 U.S. 1, 1, 14 (1983), be overruled, it is also contending that “issues” and not “cases” should dictate § 1338 “arising under” jurisdiction.⁴

The consequences of accepting such an argument would mean that state courts could no longer decide state law cases involving patent issues. This matter was discussed in Christianson’s Brief (pp. 18-20) which points out that in view of § 1338’s exclusivity provision for patent jurisdiction in the district courts, determinations between Federal Circuit and regional circuit jurisdiction have a corollary effect of impacting determinations between federal courts and state courts.

Colt, while never directly responding to this issue at all, claimed that the only matter “at stake where Federal Circuit jurisdiction is at issue is *which* federal appellate court will hear an appeal.” However, because of the district court exclusivity provision of § 1338, Colt’s claim is necessarily wrong. Therefore, contrary to Colt’s argument, a determination of Federal Circuit jurisdiction inherently implicates “principles of state sovereignty and constitutional issues of federalism,” just as

⁴ Since Colt agrees that Congress intended traditional “arising under” jurisdiction to apply to § 1338, *Franchise Tax Bd.* and its predecessor holdings also necessarily apply. (Colt’s Brief, p. 20, citing H. R. Rep. No. 312, 87th Cong., 1st Sess. 41 (1981)).

Colt’s corollary thesis to its “actually litigated” argument that the complaint was effectively amended pursuant to Federal Rule of Civil Procedure 15(b) is misplaced. (Colt’s Brief, p. 27). Federal Rule of Civil Procedure 82 provides that the federal rules “shall not be construed to extend or limit the jurisdiction of the United States District Courts.” While Rule 15(b) allows later amendment to the pleadings, it provides no guidance as to whether it is the complaint, answer, or reply to counterclaims which must be amended to conform to the evidence. Moreover, the rule applies only to issues that are tried which are “not raised by the pleadings,” not just the complaint, and the § 112 issue *was* raised in the reply (JA-45). (Emphasis added).

they are implicated in determinations of general federal question jurisdiction.⁵

III. CONTRARY TO COLT'S ARGUMENT, CHRISTIANSON WAS ENTITLED TO PLEAD ITS ANTI-TRUST CLAIM WITHOUT PLEADING INVALIDITY OF TRADE SECRETS.

A. The Permission Issue Does Not Depend Upon the Patent Laws.

In discussing the antitrust count of the complaint, Colt side-steps the permission issue and argues (p. 32) that the "only alleged Colt conduct in the complaint" related to the protection and enforcing of alleged trade secrets. Paragraphs 20 and 21 of the complaint specifically recite that prior to the expiration of the patents ITS expended funds for tooling for the manufacture of M-16 parts and that "Colt gave ITS permission to use the tooling for which it had expended funds in 1976 to the end that the suppliers, including Casting Engineers, could make M-16 parts for ITS to sell to customers, . . ." (JA-9-10). Paragraph 22 then commences with the words, "Contrary to the permission extended to ITS to sell Colt parts and accessories and in violation of the antitrust laws . . ." (JA-10).

There then follow seven subparagraphs describing certain conduct that Colt engaged in and only one of those subparagraphs, subparagraph (c), states that Colt had "claimed rights over M-16 drawings, . . ." (JA-10). Nothing in that subparagraph or any of the other subparagraphs states that the claimed rights to trade secrets were invalid because of a vio-

⁵ The quoted phrases are found in Colt's Brief, p. 20, n. 21. Colt's note implies that the "consequences" of deciding which court of appeals should hear an appeal are insignificant when issues of "state sovereignty" or "constitutional issues of federalism" are not at stake. However, in *United States v. Hohri*, 482 U.S. —, 96 L. Ed. 2d 51 (1987), a case presenting no such issues, this Court unanimously vacated a ruling of a regional circuit on the merits of a matter of national importance and transferred the case to the Federal Circuit because of defective appellate jurisdiction.

lation of § 112. The antitrust complaint simply alleged that Christianson had permission to sell these parts and accessories, and that Colt, at least prior to its concerted action against him, was making no claim of trade secrets with respect to the tooling and drawings utilized by Christianson's suppliers for their sales of M-16 parts to him.⁶

⁶ This was, in part, the basis upon which Christianson successfully resisted Colt's efforts to preliminarily enjoin him from doing business in M-16 parts prior to this case being filed. (Memorandum of Christianson and ITS in Opposition to Motion for Preliminary Injunction, Exhibit 4, Exhibits in Support of Plaintiffs' Response to Defendant's Motion for Deferring Summary Judgment, filed in *Christianson v. Colt*, No. 84-4056). That memorandum alluded to a Colt letter of March 1976 (JA-63-65, relied upon by Colt in its brief, pp. 5-6, 26, n. 27) which recited that Colt representatives had informed Christianson's suppliers that "Colt could have no objection to their furnishing" M-16 parts to him, "so long as they did not use Colt furnished tooling or Colt furnished drawings or specifications." (JA-64). The letter also recited that these suppliers were "using new tooling" and "drawings" "not obtained from Colt," "but from the Government" of the Philippines. (JA-64). Colt knew that drawings obtained from the Philippines initially came from Colt because Colt had been the only source of M-16 drawings, and as Colt had established, no one else could reverse engineer M-16 parts so as to be able to independently prepare M-16 drawings. (JA-19; PA-85-86).

Therefore, by interposing "no objection" to these purchases by Christianson, Colt was, in effect, making no claim to trade secret protection with respect to the Philippine drawings and the "new tooling." If, as argued by Colt (pp. 5-6), the permission granted was limited to a few existing contracts, there would have been no point in distinguishing between "Colt drawings" and drawings received "from the Government" of the Philippines. Under Colt's present and belated trade secrets claim against Christianson, all M-16 "drawings," regardless of their immediate source, are "Colt drawings." This dichotomy was further confirmed in a Colt telegram sent to Casting Engineers that contains no restrictions on supplying M-16 castings to ITS as long as the "parts are not ordered against Colt drawings and Colt tooling is not utilized." (JA-62-63).

Finally, Christianson said in an affidavit in support of his motion for summary judgment that he believed, "based on conversations" he had "with Colt personnel" that he "had permission from Colt to utilize this tooling" that he had paid for, since it was constructed from drawings which his corporation had received from the Government of the Philippines. (JA-59).

(footnote continued)

Under these circumstances where he had bought and sold M-16 parts for eight years, and based on Christianson's view of the facts (footnote 6, *supra*), Colt violated the antitrust laws in obtaining agreements from customers and suppliers not to deal with him. At a bare minimum, Christianson, as a plaintiff, was entitled to invoke the Sherman Act and allege that this concerted refusal to deal that had made him the target of a boycott which drove him out of business, amounted to an antitrust violation.

Without citation of authority Colt asserts (p. 33) that this explanation of Christianson's cause of action, based on permission, is a "bold contention" that "does not state a group boycott claim."⁷ If Colt is correct, it simply means it has a defense to the merits of an antitrust claim, not a challenge to jurisdiction. Colt pled this defense (JA-16). A district court necessarily has jurisdiction under 28 U.S.C. § 1337 to decide if a valid claim is stated under the antitrust laws. See *Binderup v. Pathe Exchange*, 263 U.S. 291, 305-306 (1923).

(Footnote 6 continued)

Thus if the complaint's meaning is to be determined from matters outside the complaint itself, as Colt has attempted to do, the factual background from Christianson's point of view must also be considered.

⁷ "Bold contention" or not, the answer to the complaint demonstrates Colt fully recognized that the permission issue, and not § 112, was the focus of the antitrust count. Colt's Sixth Affirmative Defense alleged:

ITS and Christianson fraudulently obtained the "permission" allegedly given them, as alleged in paragraphs 21 and 22 of the Complaint, . . . (JA-16-17)

Unlike the above defense of fraud which seeks to avoid the antitrust consequences of Colt's "permission" given to Christianson, Colt's answer contains no defense directed against a § 112 wrongful disclosure allegation, and for the necessary reason that the complaint contained no such allegation, express or implied.

Accordingly, Colt's statement in its brief (p. 26, n. 27) that the permission issue was "relevant only . . . to Christianson's defenses to Colt's counterclaims for misappropriation of its alleged trade secrets, . . ." is necessarily wrong.

Colt's argument, instead of allowing for a dismissal of the antitrust claim, appears to insist that the complaint be saved for Colt's jurisdictional purposes by changing it into a claim grounded on § 112 even though that claim was never pled in the complaint. The "well pleaded complaint" doctrine does not require such a result.

B. Even If the Complaint May Be Construed to Constitute a General Attack on Colt's Right to Enforce Claimed Trade Secrets as a Part of an Antitrust Claim, Colt Would Still Have the Burden of Proving the Validity of the Trade Secrets Since Claimed Trade Secrets Carry No Presumption of Validity.

Colt does not directly respond to Christianson's argument (p. 27) that the burden was on Colt to justify its anti-competitive conduct.⁸ Instead, while virtually ignoring the entire permission issue, Colt argues (pp. 25, 35) that Christianson's "well pleaded" complaint necessarily included "an allegation of trade secret invalidity," and that plaintiff must "prove the trade secrets invalid."⁹ Assuming the complaint may be construed to constitute a general attack on Colt's right to enforce its claimed trade secrets as a part of an antitrust claim, the burden is, nonetheless, on Colt to prove the validity of its claimed trade secrets.

While there is a presumption of patent validity pursuant to the patent statute, 35 U.S.C. § 282, there is no presumption of trade secret validity. To the contrary, it is well settled that the alleged trade secrets owner has the burden of proving the

⁸ See *Silver v. New York Stock Exchange*, 373 U.S. 341, 361 (1963), which suggests that justification of anti-competitive conduct is made "in response to antitrust charges," although no pleading issue, as such, was involved in that case.

⁹ Colt's "red herring" and "one claim" analysis (p. 26, n. 27) is incorrect because the presence of the "permission" theory in the antitrust count, even if a § 112 issue was also present, precludes "arising under" jurisdiction. The § 112 issue would not be "necessary" or "essential" to plaintiffs' claim. (See Christianson's Brief, pp. 23-24, 33-34 and cases there cited).

existence of a protectable trade secret.¹⁰ As stated in *Cataphote Corp. v. Hudson*, 444 F.2d 1313, 1316-1317 (5th Cir. 1971):

Trade secret processes are not passed upon officially, as are patented processes. Therefore, they are attended by no presumptions and the burden of proof is on the plaintiff to prove not only that the idea used by the defendant is his but also that it involves some elements above ordinary mechanical commonality and is something not already known to the public and to the trade generally.

C. A Party May Not Use "Self-Help" to Drive Another Out of Business for Alleged Violations of Claimed Trade Secrets and Then Shift the Burden of Proving Trade Secret Invalidity to that Party.

Colt drove Christianson out of business using its monopoly position to coerce his suppliers and customers into no longer dealing with him. (JA-59-61). Colt now argues, in effect, that its conduct should be presumptively valid because it claims Christianson has the burden of proving that Colt's anti-competitive conduct was not justified as a result of its claimed trade secrets being invalid.

Colt's argument means that an alleged trade secrets owner, instead of seeking redress in the courts to enforce them, can improve its position by seeking self-help. In court the trade secrets owner faces a burden of proof to establish his case, but by avoiding court and using self-help he shifts that burden to the party driven out of business. Then the party driven out of business is placed in a financially difficult position to litigate and has the added burden of proving a negative it would otherwise not have to prove. There can be no sound rationale for such a position.

The burden of proving a justification for driving a party out of business must be on the same party as it would have been had no self-help been employed. Colt thus has that burden in this

¹⁰ See, for example, *MBL (USA) Corp. v. Dickman*, 112 Ill. App. 3d 229, 445 N.E.2d 418, 426-27, 67 Ill. Dec. 938 (Ill. App. 1983).

case, just as it had that burden prior to dismissing its earlier trade secrets case against Christianson after losing its motion for preliminary injunction.^{11,12}

D. Christianson Was Not Required to Rely on the Per Se Doctrine Without Addressing the § 112 Defense.

Colt argues (p. 35) that if a *per se* group boycott case was intended by the complaint justification would not be an issue in the case at all since "conduct that falls into a *per se* category cannot be justified." Accordingly, Colt reasons Christianson had no necessity to seek a resolution of the § 112 issue unless that was what he intended in his complaint.

¹¹ In denying Colt's motion, Judge Morgan contemplated that Christianson should be able to continue with his business efforts, stating:

I think he is entitled to his day in court on these charges and not have your relief which could be ruinous to him and may have been already without proving your case.

Ex. 1, p. 28 of Exhibits in Support of Plaintiffs' Response to Defendant's Motion for Deferring Summary Judgment, filed in *Christianson v. Colt*, Civ. No. 84-4056.

¹² The lone case cited by Colt to support its novel view of placing the burden of proof as to trade secrets on a party other than the claimed trade secret owner, is *CVD, Inc. v. Raytheon Company*, 769 F.2d 842 (1st Cir. 1985), cert. denied, 475 U.S. 1016 (1986). The First Circuit in dicta stated that it would be an antitrust plaintiff's burden to show that the defendant alleged trade secret rights knowing no trade secrets existed. But since CVD had clearly established that the trade secrets were in the public domain, the proposed burden was not truly at issue.

By contrast *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 108 Wash. 2nd. 38 (Wash. S.Ct. 1987), which was a *state* antitrust action involving trade secrets, placed the burden of proving the existence of the trade secrets upon Boeing (the trade secret owner).

The *Christianson* case is unlike the situation where a party alleges patent infringement as in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965). In *Walker Process*, the defendant's patents are statutorily entitled to a presumption of validity; thus it is proper to put the burden of proof to invalidate the patents upon the antitrust plaintiff. In a trade secret case, there is no such presumption. See also the Federal Circuit's Analysis, PA-26 including n. 20.

There are several answers to this argument. First, *Silver v. New York Stock Exchange*, 373 U.S. 341, 361 (1963), suggests that even a *per se* violation, under certain circumstances, may be justified. Secondly, "not all concerted refusals to deal" are "accorded *per se* treatment." *Northwest Stationers v. Pacific Stationery*, 472 U.S. 284, 297 (1985). Finally, although plaintiff intends to still argue, if necessary, that the subject case is a § 1 *per se* violation,¹³ nonetheless, plaintiff recognizes that this question is debatable. While *Northwest Stationers*, *supra*, reaffirmed "that certain concerted refusals to deal or group boycotts are so likely to restrict competition without any offsetting efficiency gains that they should be condemned as *per se* violations of § 1 of the Sherman Act," 477 U.S. at 290, it also said:

Exactly what types of activity fall within the forbidden category, is, however, far from certain. "[T]here is more

¹³ The complaint also invoked § 2 of the Sherman Act. (JA-7). Colt claims (p. 34) that a relevant market analysis was not established. The definition of relevant market hinges on the "absolutely essential" requirement by the customer of interchangeability of all M-16 parts which is "critical to the use of the rifle on the battlefield." (PA-75, 76, 86) In the U.S. alone, the M-16 has been the standard since 1964. (PA-73). Accordingly, the "only" source of supply for a purchaser government that has so standardized is Colt, as its threatening letters claimed. (JA-69). Therefore, Colt has a classic monopoly, or as Colt itself has said, a "captive market." (Colt Corporate Memo, Federal Circuit Joint Appendix, Confidential Volume III, page A-1407)

Colt cites *United States v. E. I. DuPont de Nemours & Co.*, 351 U.S. 377 (1956), but the language of that case supports Christianson:

When a product is controlled by one interest, without substitutes available in the market, there is monopoly power.

351 U.S. at 394.

In considering what is the relevant market for determining the control of price and competition, no more definite rule can be declared than that commodities *reasonably interchangeable by consumers* for the same purpose make up that 'part of the trade or commerce,' monopolization of which may be illegal. (Emphasis added).

351 U.S. at 395.

confusion about the scope and operation of the *per se* rule against group boycotts than in reference to any other aspect of the *per se* doctrine." L. Sullivan, *Law of Antitrust* 229-230 (1977).

472 U.S. at 294.

Accordingly, in view of the confusion surrounding the *per se* rule as it pertains to group boycotts, plaintiff was entitled to first seek adjudication of Colt's claimed trade secrets defense, and thus avoid any issue of justification on that account.

E. The District Court Did Not Imply a § 112 Cause of Action; Instead the Relief Granted Was Grounded on the Antitrust Complaint as Pled.

Finally, Colt argues (p. 28), that since liability automatically flowed from the finding of a § 112 violation, Judge Morgan effectively amended the complaint by implying a cause of action under that section. Colt arrives at this conclusion by asserting (p. 37) that "no other plausible theory" remains to sustain "the district court's imposition of antitrust liability." Therefore, according to Colt, "the district court's judgment would have to be vacated because it is based on a theory Christianson now claims he never asserted as a basis for affirmative relief." These conclusions of Colt are erroneous.

Because Christianson argued in response to Colt's trade secrets defense that the record established a failure to properly disclose under § 112, and that therefore the claimed trade secrets were invalid, a conclusion adopted by Judge Morgan,¹⁴

¹⁴ Colt acknowledged that there were no genuine issues of material fact as to the merits. (PA-30) Yet, Colt proceeded to disregard numerous facts found by Judge Morgan in his memorandum granting summary judgment, and the Federal Circuit did likewise. Colt's Statement of the Case (pp. 3-18) is replete with misstatements which are too numerous to address in the limited space available. (But see Christianson's Petition for Certiorari, pp. 5-12, and the District Court's opinion PA-73-91, for a more detailed analysis.) However, certain points in response should be made:

Christianson does not and has *never* contended that Colt should have placed in its patents all the manufacturing data necessary to mass produce
(footnote continued)

Colt's trade secrets defense was lost. The basis for recovery in the complaint, however, antitrust liability predicated on a group boycott that put Christianson out of business, remained. That basis had been undisputably established since Christianson's affidavit and supporting documents proving it were never contradicted by Colt with any counter-affidavits or documents. (JA-59-75). Additionally, Judge Morgan's opinion references various Colt "practices" employed "to foster and maintain its monopoly position." (PA-74).

As a result, and contrary to Colt's argument, the antitrust relief granted by Judge Morgan was grounded on the antitrust complaint as pled, and without the § 112 issue becoming an additional part of it.

(Footnote 14 continued)

an M-16 rifle and the district court did not so hold. It found that only "the crucial interchangeability specifications should have been in the patent." The Federal Circuit misunderstood this point. (PA-31, § (d); PA-40). See also Petition for Writ, pp. 5-12, 15-21.

Christianson does contend that since the M-16 was the U.S. standard before Colt's M-16 parts improvement patents were filed, and since the interchangeability of parts with the M-16 was an absolute and critical requirement of the user well known to Colt prior to filing (PA-76), Colt should have at least disclosed in its M-16 parts improvement patents enough information so that others could have made a patented part which could be assured to fit operably into any M-16, without undue experimentation. With this minimum disclosure the public would then be assured an opportunity to use the inventions with standard U.S. military rifles after the patents expired.

Christianson's position in this case is merely the application of principles long espoused by the Supreme Court. The Constitution, Article I, Sec. 8 cl. 8, only allows Congress to grant patents for "limited" times to inventors. Congress included § 112 within the patent laws to assure that patents would not be granted unless, upon the expiration of the patent, the public would receive the full benefits of the invention, thus effectively limiting the inventor's exclusivity to the 17 year patent term. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255-256 (1945). Colt may well extend its monopoly position far beyond the present 25 years if its past activities are condoned. Yet the patent system should be a vehicle for injecting crucial information into the public domain, not a vehicle to assist in maintaining a perpetual monopoly based upon trade secrets.

IV. THE PROCEDURAL RULES RELIED UPON BY COLT RESULT IN A HOLDING OF NO FEDERAL CIRCUIT JURISDICTION.

A. The Law of the Case Argument Should Have Precluded the Seventh Circuit From Reconsidering the Federal Circuit's Initial Transfer Order.

Colt's argument (pp. 39-41) that the Federal Circuit had no jurisdiction to reconsider the Seventh Circuit's transfer decision, and the cases cited in support of that proposition, actually establish that it was the Seventh Circuit that had no grounds to reconsider the transfer order of the Federal Circuit. Colt, however, erroneously argues (p. 41) that it was the Federal Circuit who should not have reconsidered the Seventh Circuit's decision because the Seventh Circuit "issued the first fully articulated jurisdictional ruling."

The cases cited by Colt do not stand for such a proposition. On the contrary, they hold the opposite, that once a court has decided a disputed issue following a consideration of briefs and argument, that decision should not be further reconsidered by a second court, regardless of whether an opinion discussing all pertinent issues had been written by the deciding court. In *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 901 (Fed.Cir. 1984), a case cited by Colt, the court said:

... , the Ninth Circuit had before it . . . the parties' briefs and arguments That a court "do[es] not discuss certain propositions do[es] not make the decision inadequate or suggest the . . . court failed to understand them." *Schilling v. Schwitzer-Cummins Co.*, 142 F.2d 82, 84 (D.C.Cir. 1944). Moreover, "[w]e should never assume that a court of concurrent jurisdiction neglected to perform its duty."

In another case cited by Colt, *Skil Corp. v. Millers Falls Co.*, 541 F.2d 554, 556 (6th Cir. 1976), cert. denied 429 U.S. 1029 (1976), an order given *res judicata* effect recited only that the petition for writ of prohibition and mandamus and a memorandum, appendix and answer had been considered, and that upon

that consideration "the same is hereby DENIED." This order was of the type entered by the Federal Circuit in this case. (PA-63). In line with the foregoing cases the Federal Circuit's decision was entitled to be considered as law of the case.¹⁵

Therefore, based on Colt's own arguments, Christianson's motion to dismiss (JA-113) filed upon retransfer to the Federal Circuit was well taken, and the Federal Circuit should have allowed it.

B. It Was Colt, Not Christianson, Who Changed the Theory of the Complaint for Jurisdictional Purposes, So if a Theory of Judicial Estoppel Has Applicability, It Should Be Invoked Against Colt.

Colt claims (pp. 31-32) that plaintiff has adopted "a wholly new theory of his complaint on appeal for jurisdictional purposes," and asserts that the "first time Christianson described his claim as a group boycott was in his answering brief on appeal to the Seventh Circuit." While that may be the first time Christianson used those precise words to describe his complaint, the group boycott theory clearly appears in paragraph 23 of the complaint¹⁶ (JA-11).

¹⁵ Also see *Hoffman v. Blaski*, 363 U.S. 335 (1960), which appears to infer that a transfer order entered under the circumstances of the Federal Circuit's in this case should be controlled by policy considerations underlying the doctrine of *res judicata* because (1) the Federal Circuit fully considered the jurisdictional questions following a full briefing and (2) Christianson specifically invoked the doctrine in his motion to dismiss upon retransfer to the Federal Circuit. (JA-113). In *Hoffman* the disagreement between the majority and dissent appeared to focus on whether the Fifth Circuit's denial of a motion for leave to file a petition for mandamus was a determination of the merits of a district court transfer order. 363 U.S. at 348. The majority opinion held that the denial did not determine the merits of the transfer order while the dissent held that it did. 363 U.S. at 340, n. 9 and 363 U.S. at 346, 348, 350. The majority and concurring opinions also emphasized that, unlike here, a claim of issue preclusion relative to the merits of the transfer order had not been invoked. 363 U.S. at 340, 345.

¹⁶ See discussion in Christianson's Brief, pp. 25-26. While Colt concedes (p. 24) that "[s]ubstance, not form, controls our [jurisdictional] determination," when it comes to finding a group boycott theory in the complaint, (footnote continued)

Colt is also wrong in stating that Christianson's discussion of group boycott on appeal to the Seventh Circuit was done "for jurisdictional purposes." At the time of filing his brief on the merits in the Seventh Circuit, Christianson assumed (as it turned out, incorrectly) that the jurisdictional debate was over, and that the Seventh Circuit, having received the case in a transfer order from the Federal Circuit after a full briefing on the jurisdictional issue, was about to consider the merits. Therefore, Christianson's brief to the Seventh Circuit addressed the merits and no part of it dealt with jurisdiction. Christianson's characterization of the antitrust violation as a group boycott claim was presented in an argument to sustain Judge Morgan's summary judgment on the antitrust count.¹⁷

Thus, contrary to Colt's assertion that Christianson has altered his theory of the complaint solely for jurisdictional purposes, the theory of the complaint offered to this Court for jurisdictional purposes is precisely the same theory advanced to the Seventh Circuit for purposes of a consideration of the merits. Rather, only Colt has changed its theory of the complaint for jurisdictional purposes as compared to what it

(Footnote 16 continued)

nothing appears to suffice for Colt except the actual use of the words, "group boycott" and "concerted refusal to deal." (Colt's Brief, p. 32). These actual words do not even appear in either §§ 1 or 2 of the Sherman Act (15 U.S.C. §§ 1 & 2).

The complaint does say that the action is based on §§ 1 & 2 of the Sherman Act (JA-7) and in paragraph 23 the allegation is that "... virtually all suppliers of ITS and customers of ITS have *agreed* with Colt to *refrain* from *supplying* and *purchasing* M-16 parts and accessories to or from ITS," (JA-11). (Emphasis added). Under any reasonable dictionary usage of the terms that Colt says were magically required, an agreement between customers and suppliers with Colt to not supply and purchase is necessarily a concerted refusal to deal and a group boycott. Certainly these words were sufficient to satisfy the liberal "notice pleading" standards of the Federal Rules of Civil Procedure. See *Conley v. Gibson*, 355 U.S. 41, 47-48 (1957).

¹⁷ Brief for Appellees, Docket No. 86-1145, U.S. Court of Appeals for the Seventh Circuit, pp. 45-50.

believed the complaint said when it was addressing the merits.¹⁸

Accordingly, judicial estoppel (Colt's Brief, p. 37, n. 41), if applicable, should be utilized to prevent Colt from offering a new theory of the complaint once the debate shifted from the merits to jurisdiction.

V. THE JUDGMENT OF THE FEDERAL CIRCUIT SHOULD BE VACATED AND THE APPEAL DISMISSED.

A. Colt May Not Now Request Transfer to the Seventh Circuit Because Colt Failed to Cross-Petition With Respect to this Remedy.

Colt's Brief argues (p. 38, n. 42), for the first time, for a remedy of transfer to the Seventh Circuit. Yet Colt failed to cross-petition for certiorari, conditionally or otherwise, as to the Federal Circuit's refusal to transfer to the Seventh Circuit. The Federal Circuit denied transfer on the grounds that transfer would not be in the interest of justice (PA-28).¹⁹ The established doctrine governing appeals to all appellate courts, including the Supreme Court, is that a party must cross-appeal or cross-petition if he seeks to change the judgment below or any part thereof. An argument which would modify the judgment even in a way that provides less relief cannot be presented without having filed a cross-appeal or cross-petition. *Federal Energy Administration v. Algonquin SNG, Inc.*, 426 U.S. 548, 560 n. 11 (1976); *Trans World Airlines, Inc. v. Thurston*,

¹⁸ Colt has not even attempted an explanation as to *why*, if it viewed the complaint as predicated on a § 112 violation, (1) it *admitted* patent validity instead of denying invalidity in answering paragraph 18 of the complaint, (2) it sought no relief with respect to the antitrust count of the complaint when filing a cross-motion for summary judgment which asked for a definitive determination of the § 112 issue, and (3) it specifically sought *only* the striking of "plaintiffs' affirmative defenses relating to alleged deficiencies in Colt's patent disclosures" in that same cross-motion. (JA-81, 83-84; see Christianson's Brief, pp. 29-30, 42-43).

¹⁹ Christianson seeks only dismissal or review of the merits by this Court, not transfer.

469 U.S. 111, 119, n. 14 (1985); *Barry v. Barchi*, 443 U.S. 55, 69 n. 1 (1979) (concurring opinion, in accord).

For the Court to allow transfer to the Seventh Circuit would permit Colt to obtain more, or less, relief than Colt obtained from the Federal Circuit's decision. For example, Colt unsuccessfully sought the grant of its cross motion for summary judgment in the Federal Circuit, but transfer would give it another crack at that issue. Should the Court determine that the Federal Circuit does not have jurisdiction,²⁰ the most appropriate manner for resolving this matter would be to order the decision on the merits vacated, the mandate in support thereof recalled, and the appeal to the Federal Circuit dismissed.

B. Because of Colt's Inappropriate Efforts to Manipulate Jurisdiction, Transfer, Rather Than Dismissal, Would Not be In the Interest of Justice.

Colt contends (p. 41), in effect, that its misrepresentations as to jurisdiction are "not worthy of serious consideration" and that, should the Court find that the Federal Circuit lacked jurisdiction, the appeal should be transferred to the Seventh

²⁰ Even if this Court determines that the Federal Circuit does have jurisdiction, or if this Court does not decide the issue of Federal Circuit jurisdiction, dismissal could be granted based solely on Question 1. In failing to include in its brief the first Question authorized by the Court for review, and in failing to present arguments directed to that question, Colt has conceded that "a U.S. Court of Appeals may [not] rule on the merits of an appeal when it expressly rules that it does not have subject matter jurisdiction pursuant to statute." (Christianson's first question presented.) Indeed, as stated in *Firestone Tire & Rubber Co. v. Risjord*, 449 US 368, 379 (1981):

If the appellate court finds that the order from which a party seeks to appeal does not fall within the statute, its inquiry is over.

The Federal Circuit expressly ruled that it did not have subject matter jurisdiction pursuant to statute (PA-10, 27, 36). Resolution of the first question thus requires the Federal Circuit to vacate its decision on the merits, recalling its mandate. Since Colt is not entitled to the remedy of transfer, Christianson's requested relief of dismissal of Colt's appeal is appropriate.

Circuit. Such transfer would further burden Christianson and delay his right to relief.

Colt's Brief, in this Court states (p. 14): "Colt . . . at no time challenged the jurisdiction of either appellate court." Yet Colt submitted an 18 page brief on the jurisdictional issue strongly arguing that "the Federal Circuit has jurisdiction over this appeal" and that the Seventh Circuit did not. (Appellant's Memorandum of Law in Opposition to Appellees' Motion to Transfer, originally filed in the Federal Circuit and transferred with the case to the Seventh Circuit, and back again.)

That jurisdiction brief provided the basis for the Seventh Circuit's erroneous conclusion of no jurisdiction and included the following (p. 13):

Plaintiffs' complaint contains the unambiguous allegation that the Colt patents "were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. 112)."

This quotation deleted the critical introduction which reads: "Unless such patents were invalid . . . , and ignored the preceding sentence which alleged that "The validity of the Colt patents had been assumed" As detailed in Christianson's Brief (p. 29-30), the meaning of Paragraph 18 of the complaint is just the opposite of Colt's so-called "unambiguous" allegation. Of course, Colt did not mention in its jurisdictional brief that it *admitted* patent validity in response to Paragraph 18. The Federal Circuit concluded that the Seventh Circuit gave "undue weight" to the "misinterpretation" of Paragraph 18. (PA-22, 23). The above deceptive quotation from Paragraph 18, served as one of the bases for Christianson's Motion to Dismiss filed in the Federal Circuit.²¹ (JA-113).

²¹ There are other examples. See discussion in IV(B), pp. 14-16, *supra*. Note also that the Federal Circuit stated that Colt "should know it is wrong" in its attempts to transform "issue" jurisdiction into "arising under" jurisdiction. (PA-12)

Note also that the Federal Circuit was not mistaken, as suggested by Colt (p. 13, n. 14.) that Colt had requested a holding that its own patents were

(footnote continued)

VII. CONCLUSION

This court should vacate the decision, judgment, and mandate of the Federal Circuit for want of jurisdiction and order that the appeal be dismissed. Should this Court determine that the Federal Circuit was in error in concluding that it had no jurisdiction, then this Court should grant certiorari to review Question 2 presented in Christianson's Petition for Writ of Certiorari, unless this Court orders the Federal Circuit to dismiss the appeal because of Colt's concession of Question 1.

Respectfully submitted,



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(Footnote 21 continued)

invalid. Christianson's proposed order and judgment submitted after the Court's summary judgment decision (which is of record in the district court) had no provision for any holding of patent invalidity, and it was Colt who specifically requested that Christianson's proposed order be modified in its decretal portion to include an express holding of invalidity of certain of its patents.

As a final note, Colt's Brief (pp. 17, 18, and 34) references "one commentator," Melvin F. Jager with strikingly biased views of the *Christianson* cases. Colt failed to note he is, and has long been, a partner in one of the firms retained by Colt in this case, Willian Brinks Olds Hofer Gilson & Lione, Ltd. (Martindale-Hubbell Law Directory, 1988, Vol. III, p. 848B.)